

Title A: In the U.S., Expense Fraud Costs Businesses Billions Each Year

Subtitle A: A comprehensive expense reporting system can stop it.

Title B: Nearly \$3 Billion Is Lost in the U.S. Annually to Expense Fraud

Subtitle B: Here are five steps to stop it.

Title C: 4 Steps to Stop Expense Fraud in Its Tracks

Subtitle C: Expense reporting platforms can save the U.S. economy nearly \$3 billion a year



[Image Source](#)

A recent Business Wire survey found that nearly [\\$3 billion a year](#) is lost to expense fraud. Even worse, over a third of this fraud is committed by high-level and c-suite management, and only 17 percent of perpetrators are ever caught.

This happens because the expense management process is often overly complicated in both enterprises and small businesses. Employees manually submit expense reports and paper receipts to accounting,

which are tracked on spreadsheets. That data is then transferred to other spreadsheets or manually imported into accounting platforms by a controller.

This process is slow and leaves a lot of room for errors. It's no wonder that [20 percent of employees](#) admit to committing expense fraud at least once.

But business expense management doesn't need to be an easy target. These five steps can reduce fraud and bring accountability to the expense management process.

1. Implement a business expense tracking software

There's no shortage of expense report software, and many have product functionality that reduces fraud, errors, and other causes of loss.

The Association of Certified Fraud Examiners estimates that the [median loss caused by expense fraud](#) is over \$30,000, and small businesses with less than 100 employees have a 28 percent higher loss than larger corporations.

Despite the availability of these platforms, a survey of over 600 CFOs and accounting professionals found [46 percent of businesses](#) still use a manual expense management process.

Expense management software for small business tracks T&E expenses from end to end. When the purchase is made, employees can take pictures of receipts using their mobile phone. OCR technology digitizes the information, and employees can immediately upload them for approval, tracking, and reimbursement while on the road.

The best app for tracking expenses and receipts even automates the rest of the process, which we'll discuss in depth in the following sections.

2. Issue corporate cards for corporate travel

According to CreditCards.com, there are 14 million business credit card accounts in use. These accounts are a great way to centralize travel and expense management by ensuring that all corporate travel expenses are traceable through both the business expense tracking software and credit card statements.

On top of these benefits, corporate credit cards offer rewards programs that provide frequent flier miles, hotel points, and even cash back.

This means a corporate credit card not only reduces fraud and losses but also gains revenue that can reduce future T&E expenses.

Common ways employees artificially inflate business expenses include adding larger tips than what was actually left, increasing mileage, manipulating receipts, and billing for erroneous expenses that had never incurred. By using an automated expense management software, especially one with a smartphone feature, it is easy to upload the receipt as soon as it is given to the employee. Comparing corporate credit card statements to receipts from your smart receipts app, you can catch any discrepancies.

Experienced controllers understand that checks and balances are vital to any financial process, and the expense management process is no different.

Consider a corporate card to be the second step of a step-by-step authentication process for every expenditure. And if you suspect an employee is abusing the system, the card can be canceled with one phone call before more losses occur.



[Image source](#)

3. Automate expense policies and approval

The best app for tracking expenses and receipts includes automation. Travel and expense management policies can be automated through software rules that automatically accept or decline submissions based on defined values.

Your company's T&E reimbursement policy should be outlined for all employees and integrated into the business expense tracking software. Once the rules are programmed in, the expense management platform takes care of the bulk of the approval process. Controllers only need to scan for accuracy before uploading into the accounting program.

Business automation is a growing market. In 2016, it was a [\\$5.1 billion industry](#) that grew to \$8.2 billion in 2018. By 2021, analysts predict that automation will be a \$12.7 billion market.

Accounting is an ideal place to start this automation process by implementing fintech that is capable of

handling all aspects of the business's finances. Reducing friction in financial processing saves your company money by reducing costly errors and making it much more difficult to commit fraud.

4. Maintain historical data

The last product functionality needed in business expense management is maintaining historical data. There are several reasons this is necessary.

The first is taxes - during an audit, the [IRS goes back as far as six years](#) to determine whether or not your company has paid its fair share of taxes. It's important to keep digital copies of receipts for seven years to ensure that you have proof to back filings.

Historical data is also useful in budgeting and forecasting. By analyzing historical spending, you'll have a better idea of what size T&E budget is necessary moving forward. In addition, you'll be able to identify places where money can be saved. For example, if your business travel includes a lot of hotel stays, you can use this data to negotiate the preferred bulk pricing from one chain to lower lodging costs across the board and save the company money.

Finally, historical data makes it easier to identify expense fraud. If a trip typically only costs \$1000 and suddenly jumps up to \$1500, records from the previous years can be compared to determine where this increase happened.

Expense fraud is a costly problem in the United States, but it doesn't have to be. By following these five steps, you can greatly reduce the impact on your business. A little proactive work up front saves a lot of headaches in the long run. Get started today.